

STATE OF CALIFORNIA
State Energy Resources
Conservation and Development Commission

| | | |
|------------------------------------|---|-------------------------|
| In the Matter of: |) | Docket No. 03-IEP-01, |
| |) | 02-REN-1038, |
| |) | 03-RPS-1078, and |
| INFORMATIONAL PROCEEDING AND |) | 04-DIST-GEN-1 |
| PREPARATION OF THE 2004 INTEGRATED |) | |
| ENERGY POLICY REPORT UPDATE |) | Comments of CITY AND |
| (2004 ENERGY REPORT UPDATE) |) | COUNTY OF SAN FRANCISCO |
| |) | on DRAFT 2004 |
| |) | ENERGY REPORT |
| |) | |
| |) | |
| |) | |
| |) | |

**Comments of the City and County of San Francisco on the
Draft 2004 Integrated Energy Policy Report Update**

The City and County of San Francisco (CCSF) appreciates the opportunity to comment on the Committee's Draft 2004 Update to the Integrated Energy Policy Report (Draft Report). The City commends the Committee and the Staff for their extensive work on the Draft Report, including the multiple opportunities for public comment that have been provided.

The City is very supportive of the goals of the Draft Report, including the goal of developing a more robust transmission system than currently exists in the Greater Bay Area. The City is pleased that PG&E has an approved CPCN for the Jefferson Martin Project, a project that the City has long supported. On September 15, 2004 the California Independent System Operator (ISO) staff identified four additional projects beyond those previously specified that need to be completed to provide a transmission system that allows the retirement of all the aging power plants in San Francisco, assuming the installation of four new gas turbines by the City. The City would welcome the

Committee's support for the early completion of these additional relatively minor transmission reinforcements.

Transition Away from Reliability Must Run Contracts

The Committee recommends in its draft report that California re-examine the linkage between the ISO transmission expansion process and the Local Area Reliability Study (LARS) and RMR efforts. The Committee has stated its concerns that *“despite the CPUC approving over \$2.34 billion in transmission investments over the last several years, congestion appears to be a persistent and growing problem on the CA ISO grid. While it is unclear exactly why more transmission fixes to congestion have not emerged from the transmission expansion and LARS efforts, the Committee remains concerned that California continues to systematically under invest in transmission infrastructure. The CPUC has enunciated a goal of transitioning away from the RMR contracts to long-term procurement framework that considers local reliability needs combined with a viable deliverability component to its proposed Resource Adequacy Requirement. The Committee believes that, given the critical reliability role of the RMR units, such a transition needs to be carefully and smoothly executed over the next few years.”*

The draft report suggests that old plants with RMR designations may need to be operated or at least kept available to ensure adequate supplies until new resources are in-service. The City is concerned that this conclusion, while obviously true in some cases, overlooks local area issues and critical differences among the old RMR units. We urge the Committee to explicitly recognize the local and fact-specific nature of decisions

regarding the retirement, closure and removal of old power plants. The City opposes any general policy statement in favor of keeping all old plants on-line or in storage.

While the City agrees that it is important to manage the transition away from RMR to ensure reliability, we believe the Committee would agree that it is also important to manage the plant retirement process so that retaining existing RMR capacity does not impede the development of new capacity. The retirement of all the existing aging generation in San Francisco has been a goal of the City and the community for many years. That goal was incorporated in the Energy Resource Plan adopted by the City's Board of Supervisors at the end of 2002. The ISO has developed an Action Plan for San Francisco, which indicates closure of all old generation is possible with the City's CT project (AFC Docket No. 04-AFC-1) and the four transmission projects indicated in Attachment 1 to that plan. (The ISO Action Plan is attached here for the Committee's convenience along with the City's response to the Plan.)

Environmental justice concerns have prevented the addition of any new generation in San Francisco for many years. Any support for the City's proposal to site new combustion turbines is dependent upon an achievable plan to retire permanently and dismantle the existing aged and unreliable generation at Hunter's Point and Potrero power plants. The projects listed in Attachment 1 are considered necessary by the ISO to achieve a reliable electrical infrastructure and allow for the cancellation of the RMR Agreements at Hunters Point and Potrero. The transmission projects in the first group, identified as necessary to accomplish the retirement of Hunter's Point, are all well on the way to completion, if not already completed. We believe the other four projects

(projects 12 – 15) should be accelerated to ensure their completion in time to allow termination of the Potrero RMR contract upon completion of the City's four turbines.

Transmission Planning

The City supports the draft recommendations to establish a comprehensive statewide transmission planning process with the CPUC, ISO, other key state and federal agencies, local and regional planning agencies, investor-owned and municipal utilities, generation owners and developers, stakeholders and interest groups, and the public. The planning process would assess statewide transmission needs for reliability and economic projects as well as transmission to support Renewable Portfolio Standards (RPS) goals.

October 13, 2004

Respectfully submitted,

DENNIS J. HERRERA
CITY ATTORNEY
THERESA L. MUELLER
DEPUTY CITY ATTORNEY

/S/

Theresa L. Mueller
Deputy City Attorney
City Hall, Room 234
San Francisco, CA 94102
(415) 554-4640

Barry Flynn
Flynn Resource Consultants, Inc.
5440 Edgeview Drive
Discovery Bay, CA 94514
(925) 634-7500